

DEBRIS REMOVAL INSURANCE

FREQUENTLY ASKED QUESTIONS (FAQs)

Based on issues identified in previous disasters, especially fires, the following questions were posed to the insurance industry. Below are the general responses that would be applicable to most insurance companies. If there are additional general questions, please forward them to Michael Sabbaghian, so he can seek responses for the benefit of all.

Most companies generally offer the same broad coverages. Where policies differ, and in turn reflects their marketing differences, is the additional coverages afforded under a policy. Debris removal is one of those additional coverages that can differ from company to company.

1. Can insurance companies separate the insurance proceeds for debris from the rest of the proceeds?

In general, debris removal is considered an additional coverage under the property policy and is typically expressed as a percentage of the total value of the damaged property, which includes: the dwelling; other structures (structures connected to the dwelling by only a fence, utility line, or similar connection); personal property; and trees/shrubs/plants.

In some cases this amount may be expressed as a specific dollar amount or included within the total limits of coverage that applies to the damaged property.

I would offer that the majority of companies can handle as a separate claim item in calculating and tracking the total amount paid.

2. Can the homeowners assign their benefits to the local jurisdiction? This way the debris proceeds can be provided to the local jurisdiction in form of direct payment or a joint check with the homeowners.

When a policyholder has signed an agreement to have an additional party named to the payment draft, a company can name or assign payment as specified. In the past, contractors have also asked for these provisions to ensure payment is made. Key is that the claim file must be documented accordingly with the appropriate authorizations.

3. Under what criteria would insurance companies pay for concrete slab removal?

The typical debris removal contractual language is as follows: *We will pay for reasonable expense for the removal of debris of covered property if the peril insured causes the loss.*

Each claim is handled on its own merits and coverage will be determined based on the documented loss. As such, insurers will typically utilize appropriate experts to determine the condition of the slab for rebuilding.

Insurance companies know and understand that they must defend every decision and will generally err on the side of a conservative decision supported by expert reports (or in other words, a liberal decision to the benefit of the policyholder).

4. Would a field evaluation by a license engineer be sufficient or would additional testing and documentation be needed? Obviously, it would take longer to do any testing.

Key is whether the individual is a licensed professional expert in good standing that is recognized as an authority and the decision can be defended.

5. It may be more cost effective to remove the slab than try to work around and clean it. Could cost effectiveness be an acceptable justification?

Cost effective will be in the eye of the beholder. Replacing foundations could be more costly than cleaning and may unnecessarily reduce the amount of coverage available to the policyholder in the rebuilding of the dwelling.

This is an area that we need to develop some uniform processes with consensus of the group. Given that the industry was pleased with the overall processes and handling of the Angora Fires, I am optimistic that we can secure acceptable processes.

Automatic totaling of a slab or raised foundation that could be salvaged must be weighed against the cost to rebuild, any building ordinances that increase the cost to replace and dependent on the provisions of the policy contract. Again, an area that we should be able to develop an agreed process and mechanism for efficient and expeditious decision making.

6. Pools on vacant lots are considered unsafe for several reasons, such as drowning, falling, mosquito born diseases, etc. Normally a hole is busted on the bottom to allow drainage and filled with sand. Emptying and fencing has also been used, but would require additional maintenance if it is not rebuilt immediately to avoid mosquito born diseases. How would the insurance companies handle this?

Property owners do have a responsibility to protect their properties from further damage and against a known hazard or exposure.

Insurers generally offer coverage for the reasonable costs incurred to protect covered property from further damage. I anticipate as a part of the clean-up activity, pools will likely be drained and protected until the structure is rebuilt. No point in repairing or resurfacing pools until all of the heavy construction around the pool is complete.

Likely that insurers will work with their policyholders on a case-by-case basis to address the concerns raised but this is a case of shared responsibility, construction logistics and rebuilding timelines.

7. Removal of any portion of a partially damaged building needs to be evaluated on a case-by-case basis. What kind of guidance or assistance can the insurance companies provide?

Agree and we will need to determine if consensus can be developed on creating a uniform approach. The idea of having the policyholder, claims adjuster and contractor meet to agree on handling would be a good option to consider for these scenarios.

What would insurance companies like to see in actual invoicing documents from the state or county? Is there a specific way in which costs need to be displayed to make it easy for the companies to handle insurance reimbursement decisions?

As previously stated, insurance companies must clearly document how and what was spent under the claim. The Department of Insurance will likely conduct audits of these files, as the regulatory agency, and the file must objectively reflect the determination of payments issued with supporting documentation.

While building contracts are generally reflected through time/material and/or trade breakdown (i.e., HVAC, plumbing, concrete, rough carpentry), we could consider the development of a cost banding/tiered approach based on lot size/debris volume, slab removal, other structures (i.e., pools, out buildings) and other relevant factors that provides a direct relationship to the insured property and the debris removal activity conducted.